

CASE NAME: Hydrocarb Energy Corporation UNITED STATES BANKRUPTCY COURT
CASE NUMBER: 16-31922-H1-07 Southern DISTRICT OF TEXAS
PETITION DATE: 4/13/2016 Converted 5/11/2016 Houston DIVISION

MONTHLY REPORT SUMMARY *CHAPTER 7 REPORT*** <<FINAL>> SEPTEMBER, 2016**

MONTH/PERIOD ENDING	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Conversion to Date
REVENUES (MOR-6)	-	-	-	-	-	-
INCOME BEFORE INT, DEPREC./TAX (MOR-6)	(13,156.42)	(7,588.64)	(7,656.72)	(14,220.23)	(584.47)	(43,206.48)
NET INCOME (LOSS) (MOR-6)	(13,156.42)	36,095.64	(3,077.97)	(14,220.23)	(584.47)	5,056.55
PAYMENTS TO INSIDERS (MOR-9)	-	-	-	-	-	-
PAYMENTS TO PROFESSIONALS (MOR-9)	-	-	-	-	-	-
TOTAL DISBURSEMENTS (MOR-8)	(36,904.31)	(447,856.65)	(302,075.21)	(209,409.48)	(90,058.30)	(1,086,303.95)

REQUIRED INSURANCE MAINTAINED AS OF SIGNATURE DATE		EXP. DATE
CASUALTY	YES (X) NO ()	2 - 16 - 2017
LIABILITY	YES (X) NO ()	2 - 16 - 2017
VEHICLE	YES (X) NO ()	2 - 16 - 2017
WORKER'S	YES (X) NO ()	2 - 16 - 2017
OTHER	YES () NO ()	- - - - -

Are all accounts receivable being collected within terms? No

Are all post-conversion liabilities, including taxes, being paid within terms? No

Have any pre-petition liabilities been paid? Yes

If so, describe Insurance Premium Financed Notes

Are all funds received being deposited into Trustee's bank account? Yes

Were any assets disposed of outside the normal course of business? No

If so, describe N/A

Are all U. S. Trustee Quarterly Fee Payments current? Yes

What is the status of your Plan of Reorganization? Converted to Chapter 7 on 5/11/16

ATTORNEY NAME:

FIRM: Julie Mitchell Koenig

ADDRESS: Cooper & Scully, PC

CITY, STATE, ZIP: 815 Walker, Suite 1040

TELEPHONE: Houston, Texas 77002

713/236-6800

MOR-1

I certify under penalty of perjury that the following complete Monthly Operating Report (MOR), consisting of MOR-1 through MOR-9 plus attachments, is true and correct based on information available to me.

SIGNED:

TITLE:

BANKRUPTCY TRUSTEE

CASE NAME: Hydrocarb Energy Corporation

CASE NUMBER: 16-31922-H1-07

COMPARATIVE BALANCE SHEETS

ASSETS	Petition Date 4/13/2016	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	-
See Notes							
D							
CURRENT ASSETS	See Note A						
Cash	18,548.38	354,308.86	156,452.21	12,352.00	30,032.63	423,454.86	-
Trade Accounts Receivable, Net	-	-	-	-	-	-	-
Accrued Receivables, Net	-	-	-	-	-	-	-
Prepaid Expenses	-	540,242.39	540,242.39	540,242.39	515,290.27	515,290.27	-
Receivable from Galveston Bay	-	32,754.95	311,800.82	553,365.81	671,464.95	657,458.25	-
Other	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	18,548.38	927,306.20	1,008,495.42	1,105,960.20	1,216,787.85	1,596,203.38	-
PROPERTY, PLANT & EQUIPMENT							
Fixed Assets	2,200.00	24,037.80	24,037.80	-	-	-	-
Accum Depletion, Depreciation & Amort	-	21,837.80	21,837.80	-	-	-	-
NET BOOK VALUE OF PP&E	2,200.00	2,200.00	2,200.00	-	-	-	-
OTHER ASSETS:							
Investments	-	9,666,226.48	9,666,226.48	9,666,226.48	9,666,226.48	9,666,226.48	-
Deposits	-	21,298.34	21,298.34	21,298.34	21,298.34	21,298.34	-
Other Assets	-	104,602.41	104,602.41	104,602.41	104,602.41	104,602.41	-
TOTAL OTHER ASSETS	-	9,792,127.23	9,792,127.23	9,792,127.23	9,792,127.23	9,792,127.23	-
TOTAL ASSETS	20,748.38	10,721,633.43	10,802,822.65	10,898,087.43	11,008,915.08	11,388,330.61	-

MOR-2 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Hydrocarb Energy Corporation
CASE NUMBER: 16-31922-H1-07

COMPARATIVE BALANCE SHEETS

LIABILITIES	Petition Date 4/13/2016	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016
See Notes						-
B						
POST-PETITION LIABILITIES	See Note A					
Pre-Conversion Liabilities	-	15,466.64	15,466.64	15,466.64	15,466.64	15,466.64
Outstanding Checks at Conversion	-	83,242.90	83,242.90	83,242.90	58,290.78	58,290.78
Post-Conversion Liabilities		446,285.29	646,285.29	744,628.04	894,628.04	1,274,628.04
TOTAL POST-PETITION LIABILITIES	-	544,994.83	744,994.83	843,337.58	968,385.46	1,348,385.46
PRE-PETITION LIABILITIES						
Trade Accounts Payable	-	470,636.87	470,636.87	470,636.87	470,636.87	470,636.87
Difference Between Book Debt and Schedules	-	(3,708,076.45)	(3,862,982.87)	(3,862,982.87)	(3,862,982.87)	(3,862,982.87)
Notes Payable - Secured	7,329,259.42	7,329,259.42	7,329,259.42	7,329,259.42	7,329,259.42	7,329,259.42
Unsecured Debt	3,606,941.54	3,136,304.67	3,136,304.67	3,136,304.67	3,136,304.67	3,136,304.67
Debts to Insiders/Related Parties	1,644,667.00	1,644,667.00	1,644,667.00	1,644,667.00	1,644,667.00	1,644,667.00
TOTAL PRE-PETITION LIABILITIES	12,580,867.96	8,872,791.51	8,717,885.09	8,717,885.09	8,717,885.09	8,717,885.09
TOTAL LIABILITIES	12,580,867.96	9,417,786.34	9,462,879.92	9,561,222.67	9,686,270.55	10,066,270.55
STOCKHOLDER'S EQUITY (DEFICIT)						
Common Stock	26,527.33	26,527.33	26,527.33	26,527.33	26,527.33	26,527.33
Preferred Stock	3,120,000.00	3,120,000.00	3,120,000.00	3,120,000.00	3,120,000.00	3,120,000.00
Additional Paid-In Capital	89,961,657.11	89,961,657.11	89,961,657.11	89,961,657.11	89,961,657.11	89,961,657.11
Retained Earnings Through Filing Date	(105,668,304.02)	(91,798,822.03)	(91,798,822.03)	(91,798,822.03)	(91,798,822.03)	(91,798,822.03)
Retained Earnings (Deficit): Post-Filing	-	7,641.10	7,641.10	7,641.10	7,641.10	7,641.10
Retained Earnings: Post-Confirmation	-	(13,156.42)	22,939.22	19,861.25	5,641.02	5,056.55
TOTAL OWNER'S EQUITY (DEFICIT)	(12,560,119.58)	1,303,847.09	1,339,942.73	1,336,864.76	1,322,644.53	1,322,060.06
TOTAL LIABILITIES AND EQUITY	20,748.38	10,721,633.43	10,802,822.65	10,898,087.43	11,008,915.08	11,388,330.61

MOR-3 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Hydrocarb Energy Corporation
CASE NUMBER: 16-31922-H1-07

SCHEDULE OF POST-CONVERSION LIABILITIES

LIABILITIES	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	-
TRADE ACCOUNTS PAYABLE	96,285.29	96,285.29	44,628.04	44,628.04	44,628.04	-
TAX PAYABLE						
Federal Payroll Taxes (inc. withholding)	-	-	-	-	-	-
State Payroll & Sales	-	-	-	-	-	-
Ad Valorem Taxes	-	-	-	-	-	-
Other: Federal Income Tax	-	-	-	-	-	-
TOTAL TAXES PAYABLE	-	-	-	-	-	-
OTHER POST-PETITION LIABILITIES						
Secured Debt: Post-Conversion	350,000.00	550,000.00	700,000.00	850,000.00	850,000.00	-
Bidders' Deposits	-	-	-	-	380,000.00	-
Professional Fees	-	-	-	-	-	-
Other Accrued Liabilities:						
1) Sales Deposits	-	-	-	-	-	-
2) Payroll	-	-	-	-	-	-
3) Utilities & Other	-	-	-	-	-	-
TOTAL OTHER POST-CONVERSION LIAB.	350,000.00	550,000.00	700,000.00	850,000.00	1,230,000.00	-
TOTAL POST-CONVERSION LIABILITIES	446,285.29	646,285.29	744,628.04	894,628.04	1,274,628.04	-

MOR-4 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Hydrocarb Energy Corporation

CASE NUMBER: 16-31922-H1-07

POST-CONVERSION TRADE ACCOUNTS AND TAXES PAYABLE

See Notes	DAYS	Trade Accounts	Sales Taxes	State Taxes	Ad Valorem Taxes	Other Taxes	Other Professional Fees	Totals
	0 - 30 Days	-	-	-	-	-	-	-
	31 - 60 Days	-	-	-	-	-	-	-
	61 - 90 Days	-	-	-	-	-	-	-
	91+ Days	44,628.04	-	-	-	-	-	44,628.04
	TOTAL ACCOUNTS PAYABLE	44,628.04	-	-	-	-	-	44,628.04

AGING OF ACCOUNTS RECEIVABLE

See Notes	DAYS	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Totals
	0 - 30 Days	-	-	-	-	-	-
	31 - 60 Days	-	-	-	-	-	-
	61 - 90 Days	-	-	-	-	-	-
	91+ Days	-	-	-	-	-	-
	TOTAL ACCOUNTS RECEIVABLE	-	-	-	-	-	-

MOR-5

CASE NAME: Hydrocarb Energy Corporation
CASE NUMBER: 16-31922-H1-07

STATEMENT OF INCOME (LOSS)

MONTH ENDING:	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Activity Totals Conversion to Date
See Notes						
GROSS PROFIT:						
Revenues (MOR-1)	-	-	-	-	-	-
Total Cost of Revenues	-	-	-	-	-	-
TOTAL GROSS PROFIT	-	-	-	-	-	-
OPERATING EXPENSES:						
Payroll Expenses	13,042.39	-	-	-	-	-
Rents, Repairs and Utilities	-	65.33	-	-	-	13,107.72
Consultants	-	-	-	-	-	-
Well-Administration Expenses	-	-	-	-	-	-
Property Taxes	-	-	-	-	-	-
General and Administrative	114.03	7,523.31	7,331.72	14,220.23	584.47	29,773.76
Payments to Insiders (MOR-9)	-	-	-	-	-	-
Other (Attach List)	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	13,156.42	7,588.64	7,331.72	14,220.23	584.47	42,881.48
BANKRUPTCY ADMINISTRATION EXPENSES:						
US Trustee Fees	-	-	325.00	-	-	325.00
Professional Fees (MOR-9)	-	-	-	-	-	-
Court Costs and Fees	-	-	-	-	-	-
Fines and Penalties	-	-	-	-	-	-
TOTAL ADMINISTRATION EXPENSES	-	-	325.00	-	-	325.00
TOTAL EXPENSES	13,156.42	7,588.64	7,656.72	14,220.23	584.47	43,206.48
INC. (LOSS) BEFORE INT, DEPR., TAX (MOR-1)	(13,156.42)	(7,588.64)	(7,656.72)	(14,220.23)	(584.47)	(43,206.48)
INT, DEPR & OTHER ITEMS:						
Interest Expense	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Late Fees	-	(5,165.72)	-	-	-	(5,165.72)
Other Income (Expense)	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Miscellaneous	-	48,850.00	4,578.75	-	-	53,428.75
TOTAL INT, DEPR & OTHER ITEMS	-	43,684.28	4,578.75	-	-	48,263.03
NET INCOME BEFORE TAXES	(13,156.42)	36,095.64	(3,077.97)	(14,220.23)	(584.47)	5,056.55
FEDERAL INCOME TAXES (Estimated)	-	-	-	-	-	-
NET INCOME (LOSS) (MOR-1)	(13,156.42)	36,095.64	(3,077.97)	(14,220.23)	(584.47)	5,056.55

MOR-6 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Hydrocarb Energy Corporation
CASE NUMBER: 16-31922-H1-07

STATEMENT OF SOURCE AND USE OF CASH

See Notes	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Activity Totals Conversion to Date
SOURCE OF CASH						
NET INCOME (LOSS) from MOR-6	(13,156.42)	36,095.64	(3,077.97)	(14,220.23)	(584.47)	5,056.55
ADD: DEPRECIATION & AMORTIZATION	-	-	-	-	-	-
(INCREASE)/DECREASE FROM						
ACCOUNTS RECEIVABLE/ACCRUALS	(32,754.95)	(279,045.87)	(241,564.99)	(118,099.14)	14,006.70	(657,458.25)
PREPAID EXPENSES	-	-	-	-	-	-
(INCREASE)/(DECREASE) FROM						
POST-CONVERSION LIABILITIES	96,285.29	-	(51,657.25)	-	380,000.00	424,628.04
PRE-PETITION UNSECURED DEBT	(4,035.33)	(154,906.42)	-	-	-	(158,941.75)
CASH GENERATED FROM OPERATIONS	46,338.59	(397,856.65)	(296,300.21)	(132,319.37)	393,422.23	(386,715.41)
SOURCES OF CASH						
INVESTING ACTIVITIES						
Cost of Asset Sold	-	-	2,200.00	-	-	2,200.00
Proceeds from Sales of Investments	-	-	-	-	-	-
Reductions in Deposits and Other Assets	-	-	-	-	-	-
FINANCING ACTIVITIES						
Funds Received from Secured Creditors	350,000.00	200,000.00	150,000.00	150,000.00	-	850,000.00
TOTAL SOURCE OF CASH (A)	396,338.59	(197,856.65)	(144,100.21)	17,680.63	393,422.23	465,484.59
USES OF CASH						
INVESTING ACTIVITIES						
Purchases of Fixed Assets	-	-	-	-	-	-
Purchases of Investments	-	-	-	-	-	-
FINANCING ACTIVITIES						
TOTAL USE OF CASH (B)	-	-	-	-	-	-
NET SOURCE (USE) OF CASH (A - B)	396,338.59	(197,856.65)	(144,100.21)	17,680.63	393,422.23	465,484.59
CASH-BEGINNING BALANCE	(42,029.73)	354,308.86	156,452.21	12,352.00	30,032.63	(42,029.73)
CASH-ENDING BALANCE (MOR-2)	354,308.86	156,452.21	12,352.00	30,032.63	423,454.86	423,454.86

MOR-7 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Hydrocarb Energy Corporation
CASE NUMBER: 16-31922-H1-07

CASH ACCOUNT RECONCILIATION

MONTH ENDING SEPTEMBER 30, 2016

ACCOUNT NUMBER	Wells Fargo ***7228 (Acct 1010)	Wells Fargo ***5554 (Acct 1030)	Wells Fargo DIP ***9598 (Acct 1015)	Trustee's Acct Green Bank ***2201		TOTAL
BANK BALANCE	-	-	-	423,454.86	-	423,454.86
DEPOSIT IN TRANSIT	-	-	-	-	-	-
OUTSTANDING CHECKS	-	-	-	-	-	-
ADJUSTED BANK BALANCE	-	-	-	423,454.86	-	423,454.86
BEGINNING CASH (PER BOOKS)	-	-	-	30,032.63	-	30,032.63
RECEIPTS	-	-	-	483,480.53	-	483,480.53
VOID CHECKS	-	-	-	-	-	-
TRANSFERS BETWEEN ACCOUNTS	-	-	-	-	-	-
CHECKS / OTHER DISBURSEMENTS	-	-	-	(90,058.30)	-	(90,058.30)
ENDING CASH (PER BOOKS)	-	-	-	423,454.86	-	423,454.86

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

ACCOUNT NUMBER	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Conversion to Date
BEGINNING CASH	(42,029.73)	354,308.86	156,452.21	12,352.00	30,032.63	(42,029.73)
TOTAL RECEIPTS	433,242.90	250,000.00	157,975.00	227,090.11	483,480.53	1,551,788.54
TOTAL DISBURSEMENTS (MOR-1)	(36,904.31)	(447,856.65)	(302,075.21)	(209,409.48)	(90,058.30)	(1,086,303.95)
ENDING CASH (MOR-2)	354,308.86	156,452.21	12,352.00	30,032.63	423,454.86	423,454.86

MOR-8

CASE NAME: Hydrocarb Energy Corporation
CASE NUMBER: 16-31922-H1-07

PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the qtr., list the amount paid to insiders (as defined in Section 101(30)(A)-(F) of the U. S. Bankruptcy Code) and the professionals. Also, for insiders identify the type of compensation paid (e.g., salary, commission, bonus, etc.)
(Attach additional pages as necessary.)

PAYMENTS TO INSIDERS: NAME/COMP TYPE	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	-	Conversion to Date
1)		-	-	-	-	-	-
2)		-	-	-	-	-	-
3)		-	-	-	-	-	-
4)		-	-	-	-	-	-
TOTAL PAYMENTS INSIDERS (MOR-1)	-	-	-	-	-	-	-

PAYMENTS TO PROFESSIONALS: NAME/COMP TYPE	5/12-31/2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	-	Conversion to Date
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
TOTAL PAYMENTS TO PROFESSIONALS (MOR-1)	-	-	-	-	-	-	-

MOR-9

CASE NAME: Hydrocarb Energy Corporation
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FOOTNOTES

NOTE A - DIFFERENCES BETWEEN DEBT AMOUNTS REPORTED ON SCHEDULES AND BOOKS

Differences between debts presented on the debtor's schedules and the amounts reported on the MOR's include amounts on the books relating to derivatives, original issue discounts and reclassifications of debt instruments to equity (preferred stock/paid-in capital). These amounts will be adjusted as the claims process proceeds. During the short period from 4/13/2016 through 4/30/2016, a number of outstanding checks were reversed and claims established as of the filing date absorbed the amounts, resulting in an increase in the difference of \$85,156.75 causing an overall reduction in outstanding pre-petition claims.

NOTE B - OUTSTANDING CHECKS AT CONVERSION

Complete banking records for accounts closed at the conversion were not available to the Trustee. Certain transactions and reconciliations for those accounts could not be made, and, therefore, an adjustment was recorded in order to allow the reporting process to continue. An effort is being made to obtain the missing records and amended reports or additional footnotes will be made should the information be produced.

NOTE C - TIMING OF REPORTS

Due to the nature of the underlying businesses, certain revenues and expenses are reported with a 60-day lag. This will cause these reports to be filed accordingly.

NOTE D - RECEIVABLE FROM GALVESTON BAY ENERGY, LLC

On 4/13/2016, Hydrocarb Energy Corporation ("Debtor") and Galveston Bay Energy, LLC, Case # 16-31923, ("GBE") filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On 4/15/2016, Judge David R Jones signed the order for these cases to be jointly administered, however, there has been no order for substantial consolidation. On 5/11/2016, both cases were converted to Chapter 7. The Debtor has made payments of certain operating expenses of GBE and has received funding from secured creditors in order to operate during the Chapter 7 period.

FOOTNOTES